

## **AGENDA**

### **COMMITTEE ON HUMAN RESOURCES/INSURANCE**

**May 6, 2003**

**Aldermen Lopez, Sysyn, Pinard,  
Shea, DeVries**

**5:15 PM**

**Aldermanic Chambers  
City Hall (3<sup>rd</sup> Floor)**

Chairman Lopez called the meeting to order.

The Clerk called the roll.

Present: Aldermen Lopez, Sysyn, Pinard, Shea, DeVries

Messrs: G. Lamberton

Chairman Lopez addressed Item 3 of the agenda:

Communication from Human Resources Director recommending that the Stop Loss Insurance be increased from \$100,000 to \$150,000 to help reduce the increase in health insurance cost for the City.

Alderman Shea moved the item for discussion. Alderman Sysyn duly seconded the motion.

Ms. Lamberton stated with me tonight I have Mark Nicholson from Group Benefit Strategies and Mark and his company as you know have been consulting with the City for about two years now and have been very helpful to us in our health insurance issues. When we received the proposed increase in premiums perhaps six or seven weeks ago, we were all very excited because they came in very low, however, good news or bad news Mark redid the numbers and found that in fact there was something wrong with Anthem's numbers and in fact the premiums were going to go up 11.7% rather than 9.2%. We were very disappointed about that but Mark didn't let that go. What he did was continue analyzing our health insurance and he proposed to me that we consider increasing our stop-loss insurance and with that I will let Mark talk and I will be happy to answer any questions you have for me.

Mr. Mark Nicholson stated I actually put together this report. I don't know how much time we have but it gives you a little bit of background on where things stand at the beginning and where things stand right now in this policy. If you

don't mind, I will just touch on that real quickly. Page 1 shows the enrollments in the health plans. In the top box if you go across it shows the difference that we had from last year. In the yellow areas you can see we only added nine more subscribers over the whole year for last year. What is interesting though is the middle box and that is the enrollment changes that we experienced in open enrollment last year. You can see there were 121 subscribers that left Blue Choice and 112 that went to Matthew Thornton. The bottom box shows our enrollment count for the current year and how things have run. You can see that overall we have 17 less subscribers now than we did at the beginning of the year. Just a quick snapshot in terms of enrollments. The next two pages show...they give you an idea of the census of the City's population. I really won't get too far into this. Page 2 shows the Blue Choice plan and Page 3 shows the Matthew Thornton plan. This is based on the membership rather than the subscribers. Members meaning the subscribers plus all of their dependents. If you just flip to Page 4 you can get an idea of how our claims are running versus Anthem's projections for this year. If you look at the bottom of the page the good news is that the Blue Choice claims are actually about 13% below Anthem's projections. On an overall basis claims are about 8% below Anthem's projections. The bad news is that the Matthew Thornton plan is running higher than their projections by about 4%. That gives you an idea of how things are running for the current year.

Alderman Shea asked when the claims are made by either plan is the cost the same...in other words when the claims for Blue Choice are computed are they the same cost to the City as the claims for Matthew Thornton even though statistically you have a higher number for Matthew Thornton. Is the cost impact the same?

Mr. Nicholson replied I am not exactly sure...

Alderman Shea interjected in other words when somebody makes a claim for Matthew Thornton do you pay the same amount as you do for Blue Choice.

Mr. Nicholson stated generally speaking the claims on Matthew Thornton have a better discount. Most likely had those people been on Blue Choice the claim would have been higher.

Alderman Shea stated in reality then even though the good news was that Matthew Thornton...I mean what you considered bad news that if there were claims it is better to have the claims with Matthew Thornton than it is with Blue Choice.

Mr. Nicholson responded good point.

Alderman DeVries stated you talked about Matthew Thornton being about 4% over last year's projected. Is that why this forthcoming projection if I recall had an increase in Matthew Thornton yet a decrease in Blue Choice?

Mr. Nicholson responded the increase was higher in Matthew Thornton than Blue Choice, correct.

Alderman DeVries stated so it was not because we have increased enrollment.

Mr. Nicholson replied it is more a factor of the experience.

Alderman Shea asked statistically the more people that enroll in a particular program you would have more claims because of that.

Mr. Nicholson answered right.

Chairman Lopez stated we advocated for people to go to Matthew Thornton but looking at one month there you have over 100% claims and I am just trying to understand because Blue Choice is down. Is there any correlation as to why? Why would Matthew Thornton...

Mr. Nicholson interjected it is kind of like shooting at a moving target to be honest. When they set the rates in their projections they didn't expect to have 100 people move over to the plan so it is kind of a...it will work itself out this year hopefully. If you flip to Page 5, it is more for reference. That is the information for the current year and I show it just for comparison sake as we move forward. Just a quick note if you look at the bottom of Page 5 you will see the annual stop-loss premium that the City will pay for this year is just under \$614,000. Do you see that at the bottom? If you go to Page 6, Page 6 shows the initial Anthem renewal figures and this is based if we stay at a \$100,000 stop-loss deductible. If you look at the bottom again on the stop-loss you can see that that piece alone would be about a 28% increase if we stay at the same \$100,000 deductible. Going to Page 7 we asked Anthem to provide us two additional quotes for this year so we could take a look at what else we could go with. Page 7 shows the quote for \$125,000. That would represent about a 1% increase. Page 8 same thing except we asked for a \$150,000 quote. You can see they are quite a bit lower. The next two pages, Pages 9 and 10 are essentially what the new rates would be in terms of the employee's share. The top box shows the current rates that we have and what the employee's share is in the blue. The box below that would be what the rates would be on a \$100,000 stop-loss deductible and then Page 10 shows the rates at \$125,000 and \$150,000. You can see if we switch to \$150,000 deductible the City's share would increase about 9.65% for this new fiscal year.

Ms. Lamberton stated in other words if we don't do anything it goes up to 11.7%. Overall for the whole cost of health insurance if we move it to the \$150,000 deductible overall costs would only go up 9.6%.

Mr. Nicholson stated on the next couple of pages I wanted to show you the large claims that we have had in the past few years. Page 11 shows the information through February so it is not a complete year. It is eight months out of the twelve, however, you can see that we have not had any member on the City's plan go over \$100,000 this year. We have had three that have gone over half of that but nobody has reached the \$100,000 figure. Page 12 shows the year before and this is a little more realistic since we have the 12 months in. In that year we had two members exceed the \$100,000 figure and we had six between \$50,000 and \$100,000. Now how do we tie all of this in? Well if you go to Page 13 I will try to go through where we came up with our recommendation on this. The top box shows the estimated premium for next year at the various deductible levels so if we stay at \$100,000 the cost would be \$786,854. If we go up to \$125,000 you can see that it would drop \$166,000 and if we increase the deductible to \$150,000 you can see the savings is \$280,000. Now Anthem's underwriting makes the assumption that if you increase the deductible there would be an increase in their anticipated claims so I have accounted for that in the second line there. It is interesting to note that their increase in anticipated claims is quite a bit lower than the actual savings we would have. Now the bottom box is an exercise we did...we made the assumption that all of the claims that came in the year 2001-2002 would come in again for 2003-2004. We didn't want to use anything for this year because we really don't have a full year in. We trended those claims through 2004 and then we took a look at where they would fall under each of the scenarios. That is item C. If you add up those three particular items – the estimated premiums, the estimated increase in claims and the estimated stop-loss reimbursements at least at this time it shows that the \$150,000 deductible would probably be your best buy. I can't sit here and say that I have a crystal ball and I know what is going to happen to 3,400 members in the City for next year but based on the last couple of years you really haven't had any high claims other than the few that we had in 2001.

Alderman Shea asked does this include the School Department. I know you have a statement here.

Mr. Nicholson answered we did not include the schools. This is just the City.

Alderman Shea asked if the School Department were to combine with the City would that be an additional savings on the part of the City as well as the School Department or would it not.

Mr. Nicholson replied I can't answer that because actually Anthem did not rate...as they have done in the past they rated the City on its own and the Schools on its own this year. They did not do a combined rate so I can't really answer that.

Alderman Shea asked but if you were to do it for the schools...

Mr. Nicholson interjected it would be very similar, yes.

Alderman Shea stated it would be very similar which would mean that they could, in fact...

Mr. Nicholson interjected increase their deductible.

Alderman Shea stated increase their deductible but it would cost less for the premiums.

Mr. Nicholson answered yes.

Alderman Shea asked do you handle their account.

Mr. Nicholson answered yes. We provided a similar report to them.

Alderman Shea stated well give them the message that we would like them to do it; at least I would.

Chairman Lopez stated just to follow-up on that how are we going to know whether or not they are going to go to the \$150,000 before we approve the entire budget. If they are going to have a savings and they have already calculated at a higher number...

Ms. Lamberton interjected are you talking about the City.

Chairman Lopez replied the City or the School. The School in this particular instance.

Ms. Lamberton stated the School is looking at whether or not to increase their deductible to \$150,000. I don't know what they have concluded but it looked as good as an idea to them as it did to us. As far as we are concerned I am still of the opinion that we have under appropriated funds for health insurance for the new budget anyway so any nickel that we can come up with or scrape up I would be thrilled with to make sure that we meet our obligations under the health insurance.

Chairman Lopez asked, Kevin, if...like we are saving \$280,000 if we go to the \$150,000 and I would presume that on the School side if they went to \$150,000 they would save that amount to or more.

Mr. Clougherty replied I don't think savings is the right word. I think as Mark has been careful to caution you this is not guaranteed. This is all based on utilization. If the utilization stays the same then you certainly can expect the type of performance that he is projecting here and for that reason it makes sense to do that. On our side we feel that and the reason I wrote the letter in support of this is because we have a fully funded reserve of \$1.9 million so even if we do start to see some problems in this tough budget year we are willing to run with the assumption that we could lower it, understand that if we had to hit the reserve this year okay. These are the years you hit the reserve and then you build it up in good years. We think it has good budgetary implications on our side. I don't know what the status is of the School District's reserve and if they don't have a fully funded health reserve that might be something that you would want to caution them on. I can't really give you a definitive answer. I would be happy to look at that and tell you what the assumptions they made for their health calculations were and tell you what they have set aside and give you some type of an indication on that. I just don't know that today.

Alderman Shea stated I just wanted to comment that the School Department...I read some of their memos or minutes and they are contemplating having four different types of reserve funds and I am assuming that...I know that special ed is one of the areas and I am not sure about health but if they were to have that this money then could go into that kind of a situation in order for them to...

Mr. Clougherty interjected right. Every year if you have money like on our side, Alderman, if you make an appropriation for health insurance and the appropriation is for more than what the claims were it goes into the reserve. The same on their side. If they have something left over then they can build up the reserve. Just setting up the reserve on your books doesn't mean that it is fully funded. You have to go through an experience and build that up as we did over time. I don't believe that they had anything in their budget. There was a direct appropriation this year to fully fund the reserve. I don't remember any discussion about that with them on their presentation.

Alderman Shea asked but this could be used for that purpose.

Mr. Clougherty answered it would be a good idea for them to do that.

Alderman Shea stated with the approval of the Aldermanic Board. Is that correct?

Mr. Clougherty responded right. If the Aldermen approve setting up a reserve the same as we have on our side that makes sense. Then over time they can fund those and they would be used within the guidelines that you set them up for. We are not opposed to that. If they are not in place, Alderman, that might affect your decision.

Alderman Shea stated if in fact and I am just using this as a supposition but if they decided that they can't establish a reserve fund but they have extra amounts of money as a result of not having spent that much can they line item that money and move it around or do they have to just turn that over to the general fund. I am just using this as a...

Mr. Clougherty interjected they have management control. They can make decisions during the year but if at the end of the year they have not spent it in the line item the books close and it falls to fund balance and under State law it gets calculated as part of the tax rate.

Alderman Shea stated but your answer is that in fact if they were not to establish a reserve fund and if they were to have had a surplus as it were from having appropriated X number of dollars for health benefits and they did not use that amount they could use that money in a different line item other than that. Is that what you are saying?

Mr. Clougherty responded that is my understanding.

Alderman DeVries asked Ginny maybe you could just walk me through quickly as far as potential savings to our retired non-Medicare employees that are still on the City insurance plan. Are we saying that we also will be able to offer them some potential savings in their cost for health insurance and would that be the working rate?

Chairman Lopez asked what page are you on.

Alderman DeVries answered I am on Page 8 versus Page 6, the working rates. Are we in the top? I know it depends on what plan they take, i.e. two person, etc. I am just wondering is that the proper comparison.

Ms. Lamberton stated the former employees, retirees, who are age 65 and over who are on Medicom...

Alderman DeVries interjected I am talking pre-Medicare.

Ms. Lamberton stated they pay the same premiums that the active employees pay. Actually, they pay the full premium.

Alderman DeVries responded that is what I am asking you. Am I making the proper...on Page 8 the top box which shows the working rates if I am looking at the single at \$433.16 and I looking at that as a rate potentially?

Ms. Lamberton replied that is the rate. Remember that we now have two types of Blue Choice coverage and we have Matthew Thornton so if the retiree picks the Blue Choice what we would call here II, which means that their co-pay for office visits is \$10 rather than \$5, their premium is \$419. If they don't, then it is \$433. I think the good news is that it is anticipated that several of the other unions are settling and part of the settlement process is going to this "Blue Choice II" and that is good because again the employees then share more of the cost of office visits and prescriptions. Now on the School side none of that has changed. They are basically on the Blue Choice I plan or Matthew Thornton plan. They are in negotiations right now and hopefully the employees there will do the same thing our employees have done and agree to help contribute more towards their health insurance coverage.

Alderman DeVries stated it is not major savings but it is going in the right direction.

Ms. Lamberton responded we have seen a difference clearly and remember this last year it wasn't even the full year. We have definitely seen a decrease in the cost because of that and on July 1 they go up a little bit more for employees – the co-pays.

Alderman DeVries stated and we see more and more of the retirees taking the Matthew Thornton plan until their Medicare because of the significant savings.

Ms. Lamberton replied correct.

Mr. Clougherty stated I would also point out, Mr. Chairman, I think a lot of the stuff we do on the City side I am not sure gets replicated on the School side. The work that Harry has done with worker's compensation that the safety officer does in terms of going out and working with the different departments...all of those wellness things and clinics that are organized through Ginny's office I think are having an effect on the utilization on our side. I can't speak that those same things happen on the School side and that is why I am reluctant to give you an answer.

Chairman Lopez stated I believe the Finance Officer and the Mayor...Ginny have all of the people been informed of the \$150,000.



Ms. Lamberton answered yes.

Chairman Lopez asked and they all agree.

Ms. Lamberton replied yes. There is a letter attached to my letter.

On motion of Alderman Shea, duly seconded by Alderman DeVries it was voted to recommend to the full Board that the City's stop-loss insurance be increased from \$100,000 to \$150,000.

Chairman Lopez addressed Item 4 of the agenda:

Communication from Human Resources Director recommending approval of three class specifications for the Assessor's Office, and approval of related ordinance amendment.

Alderman Shea moved to recommend approval of the three class specifications and approval of the ordinance amendment. Alderman Sysyn duly seconded the motion.

Alderman DeVries stated I realize this is reiteration but Ginny how did you arrive at one grade higher for Commercial versus Residential.

Ms. Lamberton responded because it is more complex than the residential and there are higher educational requirements to be a Commercial Appraiser. Not that we have points for that but it impacts on other points in the plan.

Alderman DeVries asked is that specified or is the higher degree of difficulty represented within the job specifications.

Ms. Lamberton answered yes.

Alderman DeVries stated I thought I kind of went through and they seemed to be verbatim.

Ms. Lamberton responded I didn't know you were going to ask me that question or I would have highlighted them but there are certain cutter words that you use. It is differentiated. Obviously one grade isn't going to be a lot of difference.

Chairman Lopez stated before I take the final vote I am going to ask Alderman Wihby...this is also an ordinance change so it has to go to Bills on Second Reading. Normally we would refer that to the Committee but because of the delay

that we created ourselves in trying to get these job descriptions done, which the Board has approved previously I am going to ask Alderman Wihby if we can suspend the rules and pass this at the Board tonight. If not, we will just send it to his Committee.

Ms. Lamberton stated that would be helpful because these particular job specifications you have been looking at since last fall when we were talking about reorganization and at many, many meetings these specifications have been in the public's view.

Chairman Lopez called for a vote on the motion. There being none opposed, the motion carried.

Chairman Lopez addressed Item 5 of the agenda:

New hire/termination reports submitted for informational purposes only.

On motion of Alderman Shea, duly seconded by Alderman Pinard, it was voted to receive and file this item.

#### **TABLED ITEM**

6. Communication from, HR Director, regarding a request from the Airport Director to change the salary grade of the Airport Security Manager.

This item remained on the table.

There being no further business, on motion of Alderman Pinard, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee